

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

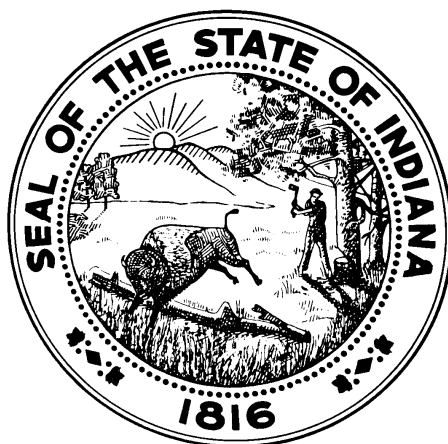
EXAMINATION REPORT

OF

CALUMET TOWNSHIP

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**

03/06/2009



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mary Elgin	01-01-03 to 12-31-10
Chairman of the Township Board	Phillippa Cody-Tolliver	01-01-06 to 12-31-06
	Clorius Lay	01-01-07 to 12-31-07
	Ron Matlock	01-01-08 to 12-31-08
	Alex Cherry	01-01-09 to 12-31-09



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CALUMET TOWNSHIP, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of Calumet Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 28, 2009

CALUMET TOWNSHIP, LAKE COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 1,249,961	\$ 3,129,687	\$ 3,927,917	\$ 451,731
Dog	300	184	-	484
Township Assistance	3,900,408	30,975,868	33,761,935	1,114,341
Public Safety/Emergency Services	399,976	1,728,837	1,607,499	521,314
Recreation	248,110	616,524	812,877	51,757
Community Services/Building	192,946	608,260	699,676	101,530
CTT Grant/Job Search DCFS	318	2	111	209
WDS Grant	20,740	-	387	20,353
City of Gary Grant	452,281	200,240	204,903	447,618
CTT North Annex	76,335	65,876	63,723	78,488
Township Assistance Emergency Loan	1,212,504	2,333,797	3,546,244	57
Rainy Day	593,438	3,328,542	2,502,183	1,419,797
Second Hand Smoke Grant	8,315	5,000	10,348	2,967
Cessation Grant	2,511	-	2,511	-
Fiduciary Funds:				
M-Account Civil	-	1,595,328	1,594,708	620
M-Account Township Assistance	-	3,555,949	3,555,443	506
Totals	<u>\$ 8,358,143</u>	<u>\$ 48,144,094</u>	<u>\$ 52,290,465</u>	<u>\$ 4,211,772</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 451,731	\$ 2,796,468	\$ 2,786,188	\$ 462,011
Dog	484	30	514	-
Township Assistance	1,114,341	20,826,209	19,874,353	2,066,197
Public Safety/Emergency Services	521,314	1,137,217	1,326,229	332,302
Recreation	51,757	836,591	624,596	263,752
Community Services/Building	101,530	951,159	825,495	227,194
CTT Grant/Job Search DCFS	209	15	224	-
WDS Grant	20,353	-	398	19,955
City of Gary Grant	447,618	328,709	392,298	384,029
CTT North Annex	78,488	61,579	136,879	3,188
Township Assistance Emergency Loan	57	208,946	209,003	-
Rainy Day	1,419,797	6,002,232	7,307,199	114,830
Second Hand Smoke Grant	2,967	8,033	11,000	-
Fiduciary Funds:				
M-Account Civil	620	646,494	646,230	884
M-Account Township Assistance	506	1,448,458	1,448,630	334
Totals	<u>\$ 4,211,772</u>	<u>\$ 35,252,140</u>	<u>\$ 35,589,236</u>	<u>\$ 3,874,676</u>

The accompanying notes are an integral part of the financial information.

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Township contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

Tax Anticipation Warrants

At December 31, 2007, the Township rolled over Tax Anticipation Warrants to 2008 for \$5,220,413. In 2008, the Township issued \$11,001,387 in additional Tax Anticipation Warrants. This was due to the late settlement of property taxes by the County.

Property Taxes

Property tax levies were not established by the Indiana Department of Local Government Finance as of February 15, 2008, as required by statute, due to the continued delay caused by the reassessment of Lake County. As of January 20, 2009, the second installment of the 2007 pay 2008 property tax bills have not been mailed out.



## CALUMET TOWNSHIP, LAKE COUNTY EXAMINATION RESULTS AND COMMENTS

### AMBULANCE BILLINGS

Ambulance billings had the following deficiencies:

1. After the initial billing to the patient's insurance company, no further action is taken to follow up on payments not received from insurance.
2. Billings denied by Medicaid are automatically deemed uncollectible.
3. Patients who were sent attorney letters requesting payment after three previous billings, were not contacted further for payment.
4. A control account for accounts receivable balances is not maintained.
5. A listing of accounts deemed to be uncollectable was not available for examination.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

### AMBULANCE COLLECTIONS DEPOSITS

Eighty percent of ambulance collections reviewed were not deposited timely. Payments were dated in the ambulance ledger anywhere from 7 to 31 days prior to the date noted on the receipt. Therefore, receipts are not written at the time of collection.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

IC 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

### CREDIT CARDS

Credit card purchases made were not always in compliance with the Township approved credit card policy. The following deficiencies were noted in 2006 and 2007:

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

1. Purchases totaling \$1,000.06 did not have any supporting documentation such as invoices for purchases or vendor's receipts.
2. Purchases did not comply with the Township's credit card policy totaling \$3,589.81. The credit card policy states that "credit cards can only be used for the payment of travel and unforeseen business expenses that is associated with official business; official business expenses will only be established by the Trustee". The purchases that were not in compliance with the policy lacked the documentation to verify that the purchase was for official business.
3. An accounting system or log is not maintained to include the names of individuals requesting usage of the card and the date it was issued or returned.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping and reconciling were noted:

The bank reconciliation for the Civil bank account at December 31, 2007, contained an error regarding outstanding deposits. The error was not detected until January, 2009. Due to the error, the balance of the Civil fund, as recorded in the ledgers was overstated by \$564,789.83 at December 31, 2007.

Both receipt and disbursement activity for transfers between funds, including interfund loans, are posted to a receipt category in the ledgers, which causes the receipt and disbursements ledgers to be misstated for the amount of disbursement activity for transfers.

The Township adopted a new software system in 2006 to account for the financial activity of the Township. The records generated from the new software have not been submitted to the State Board of Accounts for approval.

The reconcilements for the Civil and Township Assistance bank accounts, generated by the accounting software, presented the bank accounts as reconciled at December 31, 2007; however, small differences between the bank and the general ledger balances existed at December 31, 2007.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONTROLS OVER ANNUAL REPORT

Review of the annual report for 2006 and 2007 noted discrepancies between the amounts reported and the financial accounting system. Due to difficulties with the computerized accounting system, we also reviewed excel control worksheets maintained by the finance accounting department. The amounts did not always agree to either the annual report or the financial accounting system information. Worksheets and other supporting documentation were not available to support how the amounts in the annual reports were determined.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BOARD MINUTES

The minutes of meetings of the governing body (Township Board) for at least four known dates were either not provided or not available in written form for examination. The minutes for another date were incomplete and a Resolution that was reported as adopted at that meeting was not in the files. Due to a lack of written minutes, we were unable to determine what Board action may have been taken for various matters requiring Board approval, such as the transfer to the Rainy Day Fund in August 2006.

Some minutes were not in the possession of the current Township Board Chairman and were obtained from the prior Township Board chairman.

Indiana Code 5-14-1.5-4(b) states: "As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

IC 36-6-6-8 states: "The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in his custody."

Regardless of the capacity served by an official, upon completion of his service, all records and forms are to be surrendered to his successor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 15)

INTERNAL CONTROLS OVER RECEIPTS

The Township leases space to multiple business tenants in the North Annex building. Rental receipts and late payments are collected monthly. Pre-numbered prescribed receipts (Township Form 16) are not being used for rental collections. A word document page is printed off the computer and used as a receipt for the tenant. A copy of this page is placed in the tenant's file and a copy is sent with the money to be deposited at the Township finance office. Internal controls over the procedure are inadequate because the forms are not prenumbered, therefore accountability for all collections cannot be determined.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The finance department at the administration building did not retain for examination receipt books for 2007. Receipt books are also issued by the finance department to various Township locations and offices. Records or logs are not used to account for the receipt books at the various locations.

Also, receipts not approved by the State Board of Accounts were found to be included with some of the deposits reviewed.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISBURSEMENT INTERNAL CONTROLS

Calumet Township went through a computer system conversion in 2006 which caused some problems with the disbursements. Duplicate check numbers were issued from both the Township Assistance bank account and the Civil bank account. The duplication of check numbers was due to the new system starting the payroll and accounts payable check numbers as the same check series.

The new computer system allows checks to be back dated. Additionally, the inventory of unused checks does not contain any control numbers to prevent unauthorized use.

Manual checks are that are entered into the computer system for the processing of disbursements for minor bank accounts are not approved forms.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TOWNSHIP ASSISTANCE FORMS

The Township Assistance forms for Notice of Township Assistance Action (TA-1A), and Application for Additional or Continuing Township Assistance (TA-1B) are generated from a computer system. The form generated has not been approved by the State Board of Accounts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TOWNSHIP ASSISTANCE STANDARDS

The Township Assistance Standards were not adopted by the Township Board for 2006 or 2007. The Board did pass a resolution to adopt the standards for 2008.

IC 12-20-5.5-1(b) states in part: "The township's standards for the issuance of township assistance and the processing of applications must be:

- (1) Governed by the requirements of this article;
- (2) Proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners;
- (3) Reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law;
- (4) Published in a single written document, including addenda attached to the document; and
- (5) Posted in a place prominently visible to the public in all offices of the township trustee where township assistance applications are taken or processed."

PENALTIES AND INTEREST

The IRS (Internal Revenue Service) assessed late depositing penalty and interest on payments of payroll tax deposits for the month of September 2006. Penalties and interest paid were \$600.48.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COMPUTERIZED PAYROLL SYSTEM RECONCILEMENT

The "W-2's Wage and Tax Statements" should reconcile to the computer generated payroll system reports at December 31, 2007. Officials did not retain a computer generated payroll report for examination. Officials had to recreate the "Payroll Register" for the Civil Township by adding employees that had left the Township during the year and then generate the "Payroll Register" report for all employees, indicating that the system can be manipulated by adding and deleting employees.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The Township did prepare monthly and year end excel spread sheets (non payroll system generated) to reconcile the payroll information to federal and state reporting forms. The excel worksheets did reconcile to the W-2's.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CAPITAL ASSET RECORDS

The capital asset records did not include vehicles, or improvements other than buildings. Resolution 2003-18 set the capitalization threshold at \$500, but the equipment inventory included many items that were well under the threshold. Additionally, the Township is not using the updated prescribed form for recording capital assets. A similar comment was made in the prior examination report.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

TEMPORARY LOANS

Temporary loans between funds were made in March, August, and December of 2006. The loans were made without Township Board approval.

IC 36-1-8-4(a) states in part: "The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision . . ."

OFFICIAL BOND

The Trustee's bond for the term beginning January 1, 2007, was not filed in the County Recorder's office until 2008. A continuation of the Employee Blanket Bond has not been filed with the Recorder.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ANNUAL REPORT - APPROVAL

The Township Board did not approve the 2006 Annual Report presented by the Trustee at the annual meeting of the Township Board. The Trustee published and filed the report with the County Auditor without Board approval.

IC 36-6-6-9 (a) states: "The legislative body shall meet on or before the third Tuesday after the first Monday in January of each year. At this meeting it shall consider and approve, in whole or in part, the annual report of the executive presented under IC 36-6-4-12."

DONATIONS

The Township Trustee made various donations to nongovernmental agencies during the examination period. These included donations to entities such as service clubs, athletic leagues, professional organizations, religious ministries, foundations, and forums. Additionally, these donations were not reported on Part 12, Report of Financial Assistance to Nongovernmental Agencies, of the Township Trustee's Annual Report as required. A similar comment was made in the prior Examination Report.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PUBLIC WORKS PROJECT

Calumet Township contracted with several companies for the renovation of the "Federal Building" a building intended to be the new administration office. The total amount allocated for rehabbing the building was approximately \$1,000,000. Even though the previously elected Township Board approved the purchase and renovation of the building and appropriated the necessary funds, the Board refused to approve any contracts or request sealed bids for the work. Due to structural problems at the current office building and the threat of further damage to the vacant Federal Building, the Trustee felt that renovating the new location and vacating the current office was an emergency. The Trustee felt compelled to proceed with the renovations and entered into several individual contracts, each for less than \$75,000 in order to manage township property interests in accordance with IC 36-6-4-3. The Township continued to contract for the renovations in 2006 and 2007, to the administration building without bidding any of the projects.

IC 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision or an agency not described in subdivision (1).



CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

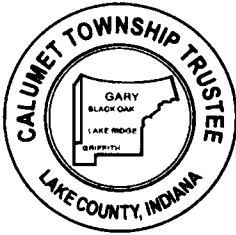
IC 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed . . ."

IC 36-1-12-19 states in part: "(a) For purposes of this section, the cost of a public work project includes the cost of materials, labor, equipment rental, and all other expenses incidental to the performance of the project. (b) The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids . . ."

IC 36-1-12-9 states: "(a) The board, upon a declaration of emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from at least two (2) persons known to deal in the public work required to be done. (b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

CALUMET TOWNSHIP, LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2009, with Mary Elgin, Trustee; Alex Cherry Jr., Board President; Curtis Whitaker, Financial Advisor; Denise Roberts, Finance Deputy; and Donna Frazier, Chief Deputy. The official response has been made a part of this report and may be found on pages 17 through 21.



**CALUMET TOWNSHIP**  
**Lake County, Indiana**

**MARY ELGIN, Trustee**

Main Office: 35 East 5th Avenue, Gary, IN 46402 (219) 886-5200 Fax: (219) 886-5233  
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February 9, 2009

State Board of Accounts  
302 W. Washington Street, Rm. E 418  
Indianapolis, IN 46204-2765

To Whom it May Concern:

Dear Sir/Madam:

Enclosed is the response to the SBA Exit Conference of January 28, 2009.

I have studied your concerns and clarified those needing clarification and am instituting corrective measures complying with your recommendations.

Please do not hesitate to contact me if there is any other clarification needed.

Sincerely,

  
Mary Elgin, Trustee

## **Calumet Township Trustee's Office Official Response to Examination Results**

### **Ambulance Billings**

The Township was already taking action to enhance our billing collection procedures and will implement a new billing methodology in the 1<sup>st</sup> quarter of 2009. We believe that the new billing procedures will enhance EMS revenues and provide the necessary account receivable aging reports that will address all of the concerns under ambulance billings.

### **Ambulance Collections Deposits**

The Township will receipt and deposit cash or checks received from persons making payments in a timely manner in compliance with IC 5-13-6-1(c).

### **Credit Cards**

As it relates to item #1, the lack of receipts over the two year period was inadvertent. The Township policy will be enhanced to ensure that all credit card receipts are provided to the finance department to be attached to the credit card bill.

We disagree with item #2. The Township abides by the currently adopted Township credit card policy to only utilize the credit card for official Township business. The \$3,589.81 stated in the report over the two year period was for official Township business as stated in the Township policy.

Although the Township makes every effort to account for each receipt, the Township policy will be enhanced to ensure that all credit card receipts are provided to the finance department to be attached to the credit card bill.

As it relates to item #3, a log will be maintained to comply with the recommendations of the examination report.

### **Condition of Records**

As it relates to item #1, over the two year period one error was made to the bank reconciliations. The Township has implemented a new policy that requires the deputy/supervisor to review and approve all bank reconciliation reports.

We disagree with item #2. We believe that the reconciliation reports as prepared by the Township staff is accurate and agrees to the bank balances. However, we will include a

notation on the reconciliation report that identifies why issues raised in the examination report.

### **Controls over Annual Report**

As stated in the examination report, the Township implemented a new accounting system in 2006 and experienced significant difficulties with the new computerized accounting system into 2007. The Township believes that all of the issues related to the new system have been identified and corrected.

### **Board Minutes**

See response from the Township Board.

### **Internal Control Over Receipts**

State Board of Accounts approved receipt books have been issued to all locations that receive payments on behalf of the Township and this task of issuing receipts will be done by the person receiving the funds and no longer performed by the finance department.

### **Disbursement Internal Controls**

As discussed above, the Township implemented a new accounting system in 2006 and inadvertently assigned the same check numbers to the payroll and general accounts. Once the Township staff identified the inadvertent issue, the matter was corrected.

The Township will purchase pre-numbered checks.

Because the bank accounts are seldom used accounts prior audits recommended that the Township not incur additional costs by purchasing new checks and agreed that the Township could continue to write with the current check stock.

### **Township Assistance Forms**

The Township's computer consultant has been notified and the issue is being corrected so that the Township utilized the currently approved forms.

### **Township Assistance Standards**

The Townships practice was to approve standards when the Township made adjustments or changes to the standards. Because the Township abides by the Federal Poverty

Guidelines that are issued annually, the Township will annually adopt the Federal Poverty Guideline Standards.

### **Penalties and Interest**

This was a one-time inadvertent issue. The Township Deputy will sign-off on all tax deposits to ensure that they have been submitted in a timely fashion.

### **Computerized Payroll System Reconciliation**

We disagree with item #1. The employees information is always included in the accounting system. Reports are generated based on the request made. A request for has to be made for both active and in-active employees if information is requested for a prior period.

However, as was noted by the auditors in the examination report, the Township maintains a monthly and year-end report that reconciled to the payroll information requested.

### **Capital Asset Records**

The Township will utilize the prescribed forms for recording capital assets. In addition, items that are below the capitalization policy will no longer be listed on the report. Theses items were listed on the report for insurance purposes.

### **Temporary Loans**

As previously discussed, the Township utilized an established resolution to approve the temporary loans in the time periods mentioned in the report. This practice was discontinued in 2007 and the Township now seeks board approval for all temporary loans.

### **Official Bonds**

The Township will file the official bond with the county recorder in accordance with IC 5-4-1-5.1(b).

### **Annual Report – Approval**

Although the Township Board failed approve the 2006 annual report in whole or in part as required by IC 36-6-6-9(a), the Township Trustee believed that she had a responsibility to the State Board of Accounts and the taxpayers of Calumet Township to

file the report and the vouchers with the County Auditor and State Board of Accounts. In addition to this, the Township Trustee is committed to compiling with her statutory obligations and providing transparent and open government to the taxpayers of Calumet Township.

### **Donations**

The Township will report financial donations made to nongovernmental agencies on Part 12 (Report of Financial Assistance to Nongovernmental Agencies) of the annual report.

### **Public Works Project**

From the earliest days in the new administration, the Trustee informed the board that the present main office located at 35 East 5<sup>th</sup> avenue, is inadequate, does not comply with various stipulations of federal law concerning access to public buildings by those with disabilities, has a structurally dangerous rear wall and sundry electrical, heating and ventilation deficiencies. Rather than spending an exorbitant sum repairing the structure, the Trustee proposed purchasing a vacant federal building located at 610 Connecticut Street, also in Gary. This was approved by the board and funds appropriated in the 2004, 2005 and 2006 budget's for the building renovations, once acquired.

A major concern was that the building contained mold, something that would have presented a real health hazard to anyone moving into it. Although certified structurally sound by city building inspectors, the building had been vacant for approximately two years and required urgent work to halt some leaking and to repair its HVAC. As with all such projects, delaying repairs would have increased costs.

In any case, the board had been fully informed of all aspects of the repairs. Members had been invited to tour the facility to acquaint themselves with the proposed renovations and required repairs.